

Thursday, May 8, 2008

House Meets At...	Votes Predicted At...
10:00 a.m. Legislative Business	Last Vote: 4:00 p.m.
Five "One Minutes" Per Side	

Any anticipated Member absences for votes this week should be reported to the Office of the Majority Whip at 226-3210.

Floor Schedule and Procedure

- **Postponed Votes on H.R. 5818 - Neighborhood Stabilization Act of 2008 (Rep. Waters-Financial Services):**
 - Vote on Hensarling Amendment.
 - Vote on Altmire Amendment.
 - Possible debate and vote on a Republican Motion to Recommit the bill.
 - Vote on passage of the bill.
- **Senate amendments to H.R. 3221, American Housing Rescue and Foreclosure Prevention Act of 2008 (Financial Services/Ways and Means):** Debate on the bill will be managed by Financial Services Committee Chair Rep. Barney Frank, or his designee, for two hours and Ways and Means Committee Chair Rep. Charles Rangel, or his designee, for one hour, and will proceed as follows:
 - Three hours of debate on the motion.
 - Votes on adoption of amendments.

Possible Votes on Pending Suspensions (5 Bills):

- 1) **H.Res. 1086** - Recognizing National Nurses Week on May 6 through May 12, 2008 (Rep. Eddie Bernice Johnson (TX) – Energy and Commerce)
- 2) **H.R. 4279** - Prioritizing Resources and Organization for Intellectual Property Act of 2007 (Rep. Conyers – Judiciary)
- 3) **H.R. 1512** - To amend the Immigration and Nationality Act to provide for compensation to States incarcerating undocumented aliens charged with a felony or two or more misdemeanors (Rep. Sanchez, Linda (CA) – Judiciary)
- 4) **H.R. 5690** - To exempt the African National Congress from treatment as a terrorist organization (Rep. Berman – Judiciary)
- 5) **H.R. 5512** - Coin Modernization and Taxpayer Savings Act of 2008 (Rep. Space – Financial Services)

- **Postponed Vote on Cantor Motion to Instruct Conferees on H.R. 2419 - Food and Energy Security Act of 2007**
- **Postponed Vote on Flake Motion to Instruct Conferees on H.R. 2419 - Food and Energy Security Act**
- **Terry Motion to Instruct Conferees on H.R. 2419 - Food and Energy Security Act of 2007**: Debate on the Motion to Instruct will proceed as follows:
 - One hour of debate on the Motion to Instruct Conferees.
 - Possible Vote on adoption of the Motion to Instruct Conferees.
- **Upton Motion to Instruct Conferees on H.R. 2419 - Food and Energy Security Act of 2007**: Debate on the Motion to Instruct will proceed as follows:
 - One hour of debate on the Motion to Instruct Conferees.
 - Possible Vote on adoption of the Motion to Instruct Conferees.
- **Shimkus Motion to Instruct Conferees on H.R. 2419 - Food and Energy Security Act of 2007**: Debate on the Motion to Instruct will proceed as follows:
 - One hour of debate on the Motion to Instruct Conferees.
 - Possible Vote on adoption of the Motion to Instruct Conferees.

Bill Summary and Key Issues

H.R. 5818 – NEIGHBORHOOD STABILIZATION ACT OF 2008 (*Rep. Waters – Financial Services*)

Summary of the Neighborhood Stabilization Act of 2008, H.R. 5818

H.R. 5818 establishes a \$15 billion loan and grant program for the purchase and rehabilitation of owner-vacated, foreclosed homes. HUD allocates funds to States. \$7.5 billion of the funds would be for loans, and the other \$7.5 billion would be for grants.

Distribution Formula: Each State's loan and grant authority is based on the State's percentage of nationwide foreclosures and the number of subprime loans delinquent over 90 days over the last four calendar quarters, adjusted by a HUD-established index to account for the State's relative median home price. However, the median home price factor may not increase any State's share by more than 25%.

Suballocation Requirement: States must allocate grants and loan authority to (1) the 100 largest cities, (2) the 50 largest urban counties in the nation, and (3) any other city with a population over 50,000 with a foreclosure rate at or above 125% of the statewide rate, based on relative foreclosure and subprime loan delinquency rates. However, if a suballocation would be less than \$10 million, the State may allocate less than that amount to the city or county.

Loan Program: Loans are non-recourse and zero-interest to finance acquisition and rehabilitation costs. The federal government would be paid back from resale or, in the case of rental properties, refinance proceeds. Loans for

homeownership properties must be repaid within 3 years. For rental properties, the maximum loan term is 5 years. In addition, the federal government would receive up to 50% of any appreciation a property owner realizes at resale.

Grant Program: Grants may be used to pay property taxes and insurance during the pre-occupancy phase; operating costs such as property management fees; administrative and planning costs; incidental costs involved in acquiring qualified foreclosed housing such as reasonable closing costs; rehabilitation costs; and, in limited circumstances, demolition costs. However, funds may not be used to demolish any public housing.

Income Targeting: Homes purchased for resale must be sold to families at or below 140% of area median income (AMI). Rental properties must serve families at or below AMI. At least 50% of the grant money must be targeted to house families at or below 50% of AMI, and not less than half of this money must target families at or below 30% of AMI (HUD may waive the latter requirement).

Summary of Amendments to H.R. 5818 awaiting Postponed Votes:

1. Hensarling (TX): The amendment would strike all references in the bill to providing grants to states, but leave the underlying loan program intact. Money from the grant portion of the bill (\$7.5 billion) would be re-directed to the loan portion (for a total of \$15 billion in loans).

2. Altmire (PA): The amendment clarifies that illegal immigrants shall be ineligible for financial assistance under the bill.

H.R. _____ - AMERICAN HOUSING RESCUE AND FORECLOSURE PREVENTION ACT OF 2008 *(Financial Services/ Ways and Means)*

SUMMARY OF THE HOUSE AMENDMENTS TO THE SENATE AMENDMENT TO H.R. 3221 PROPOSED TO BE MADE IN ORDER UNDER THE RULE

Amendment #1 (Financial Services): The housing package amendment consists of a number of reforms that have passed the House and/or the Committee on Financial Services and have been assembled as conformed, such as bills regarding FHA refinance (HR 5830), FHA modernization (HR 1852), GSE reform (HR 1427), loan modification (HR 5579), community development investments (HR 1066), and certain housing preservation provisions from HR 1851, as well as a proposal to protect disabled veterans from discrimination in government mortgage programs.

Amendment #2 (Ways & Means): The amendment consists primarily of the text of H.R. 5720, the Housing Assistance Tax Act of 2008 as reported from the Ways and Means Committee on April 24, 2008. Middle class families would be eligible to receive a tax benefit that is equivalent to an interest-free loan of up to \$7,500 towards the purchase of a first home and existing homeowners claiming the standard deduction would be allowed an additional standard deduction for property taxes up to \$700 for a married couple filing jointly. States would receive a temporary increase in

low-income housing tax credits and \$10 billion of additional tax-exempt bond authority to provide low-interest loans to first time homebuyers, to build low-income rental housing and to refinance certain subprime mortgages. Additionally it provides that municipal bonds that are guaranteed by Federal home loan banks would be eligible for treatment as tax exempt bonds. It would also make necessary improvements to the low-income housing tax credit and other incentives for low-income rental housing as well as make certain reforms to the rules governing real estate investment trusts. The amendment also includes language to provide better coordination between the housing tax credit and multifamily bond programs and housing programs under the Department of Housing and Urban Development (HUD) and the Rural Housing Service (RHS), including actions to streamline and expedite transactions involving these different programs. The amendment also extends the period following release from active duty (from 90 days to one year) during which a servicemember shall be protected from foreclosure, and require that any charges accrued during that period of time be fully disclosed to the servicemember. The cost of the amendment is offset with a tax compliance provision included in the President's Budget and by delaying the effective date of a tax benefit for multinational companies that has not yet taken effect.

Amendment #3 (Miller (NC)/LaTourette): The Brad Miller/LaTourette amendment affirms the right of states to prevent abusive foreclosure practices and to establish rules concerning the foreclosure process by clarifying that this Act, the National Bank Act and the Home Owner's Loan Act do not preempt state laws regulating the foreclosure of residential real property or the treatment of foreclosed property

Summary of Financial Services Committee Housing Rescue Package

Everyone—homeowners, lenders, neighborhoods, indeed our entire economy is worse off when a foreclosure occurs and when significant quantities of homes are foreclosed in a short amount of time. The Housing package we are considering this week is both rescue-oriented and forward-looking, responding directly to the current crisis facing middle class Americans while providing the tools to prevent a repeat of these problems. Modernizing the FHA and reforming the GSEs will provide crucial liquidity to our mortgage markets now, and strengthen regulation and oversight for the future. These measures, which have bipartisan support, will begin to repair the economy, restore confidence in the markets, limit the damage to families and neighborhoods, and help build new affordable housing.

Title I - The FHA Housing Stabilization and Homeownership Retention Act.

Creates a voluntary FHA program to provide mortgage refinancing assistance to allow families to stay in their homes, protect neighborhoods, and help stabilize the housing market.

- **Program.** If the current lender agrees to take a substantial write-down on the existing mortgage, the FHA lender will pay off the current lender and issue to the borrower a new FHA-insured mortgage at that lower amount.
- **Profit Sharing.** To help defray the government's costs and prevent unjust enrichment (e.g., borrower flipping), will require the borrower to share with

the government a substantial portion of any profits from selling or refinancing the house.

- **No Speculators.** Only owner-occupied primary residences will qualify for the program, which also contains protections to exclude persons who have committed mortgage fraud.
- **Risk Reduction.** To further protect the government:
 - the FHA will charge higher fees to build up a loss reserve;
 - the new FHA loan will substantially reduce the borrower's monthly payments, thus reducing default and foreclosure risk; and
 - in addition to other underwriting requirements, riskier borrowers must make at least 6 months of payments at the new rate before closing on the new FHA mortgage.
- **Sunset.** Program expires in 2 years (with possible 6-month extensions not to exceed 2 years).
- **Additional Provisions.** Creates an Office of Housing Counseling within HUD and authorizes additional FBI and DOJ funds to combat mortgage fraud.

Title II – FHA Modernization

- **Loan Limits.** Makes permanent the temporary FHA loan limit increases in the economic stimulus bill, setting FHA limits at the lower of (a) 125% of the local area median home price, or (b) 175% of the nationwide GSE conforming limit.
- **Fee Protections for lower income and lower credit borrowers.** Directs HUD to serve borrowers with slightly higher credit risk, raises fees to cover the additional risk, and provides for a refund if borrower makes five years of on-time payments
- **Reverse Mortgages.** Expands FHA reverse mortgage loan program by authorizing a nationwide loan limit equal to 132% of the current GSE conforming loan limit; capping and reducing loan origination fees; and adding consumer protections.
- **FHA Personal Property Manufactured Home Loans.** Modernizes and rejuvenates the FHA manufactured loan program for personal property manufactured homes.
- **FHA Condo and Manufactured Home Loans.** Makes changes to rules to make these loans more flexible, while retaining basic underwriting protections.
- **Maximum FHA Loan Term.** Extends the maximum FHA term from 35 to 40 years
- **Integrity of Appraisals.** Strengthens protections against inflated appraisals, authorizing penalties on parties to FHA loans who improperly try to influence appraisal values
- **Borrowers Lacking Sufficient Credit History.** Creates a pilot program for credit-worthy borrowers that lack a credit history through the normal credit reporting process.
- **Down Payment Simplification.** Simplifies the basic FHA down payment calculation, while generally preserving the current FHA loan to value (LTV) levels.
- **Foreclosed FHA Multifamily Properties.** Preserves the affordability of such properties, by requiring FHA to use accurate appraisals reflecting the cost of rehabilitating the units

Title III - Government Sponsored Enterprise (GSE) Reform. Includes the House-passed bill to reform prudential and mission oversight of Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks (the “GSEs”).

- **Strong Independent Regulator.** Brings GSEs under a single independent regulator with broad safety and soundness powers, including conservatorship and receivership authority.
- **Enhanced Housing Mission.** Enhances Fannie Mae and Freddie Mac’s housing mission through improvements in targeting of their affordable housing goals and duties in underserved markets.
- **New Affordable Housing Fund.** Establishes a new affordable housing fund modeled on the Affordable Housing Programs of the Federal Home Loan Banks.
- **Increased Loan Limits.** Makes permanent the increases in conforming loan limits included in the Economic Stimulus Act of 2008. Limits in high cost areas would be set based on area, rather than national prices, with conforming loan limits for each area set at 125% of the local area median (capped at 175% of the national median).

Title IV – Castle/Kanjorski Facilitation of Loan Modifications. HR 5579, The Emergency Loan Modification Act of 2008, adopted by the Financial Services Committee on April 23, 2008

- **Provides clarity for servicers,** consistent with existing servicing contracts, about their duties when making loan modifications for troubled mortgages.
- **Provides protection from investor lawsuits** to servicers who make specified long-term loan modifications.
- **Intended to encourage the use of loan modifications** to keep families in their homes.
- **Does not limit other loss mitigation efforts** by servicers, and does not prevent borrowers from pursuing claims against lenders, services, or others involved in the mortgage process.

Title V – Miscellaneous Housing Provisions

- **Protecting Disabled Veterans in Bankruptcy from Discrimination.** Ensures that a governmental unit that has a mortgage loan program may not deny a disabled veteran the benefits of such program because the veteran is or was a bankruptcy debtor. The Bankruptcy Code currently prohibits various forms of discrimination against bankruptcy debtors by governmental units and others, including a denial of a student grant, loan, loan guarantee, or loan insurance to someone because he or she is or was a bankruptcy debtor.
- **Public Welfare Investments.** The bill broadens the types of permissible public welfare investments for national and state member banks, restoring the pre-2006 standard for eligible types of affordable housing and community and economic development investments. It also grants thrifts similar authority to make public welfare investments of up to 15 percent of their capital and surplus.
- **Starrett City Housing Development.** The provision would help maintain affordability at Starrett City, a 5,880 unit development in East New York. It would convert the Section 8 and RAP contracts to a project-based section 8 contract, allowing the owners to get higher rents while protecting tenants from paying higher rents or being displaced.

- **Housing Preservation. Rep. Markey** - Makes certain low-income tenants of the Heritage Apartments in Malden, Massachusetts eligible for enhanced housing vouchers after prepayment of a HUD mortgage and subsequent ownership transfer of the property. **Rep. Pryce** - Allows for the transfer of Section 8 Housing Assistance Payment contracts in Columbus, Ohio.

Quote of the Day

"It is the duty of every citizen according to his best capacities to give validity to his convictions in political affairs." -Albert Einstein

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